

Report of Examination of the

Accendo Insurance Company

Salt Lake City, Utah
as of December 31, 2015

NAIC Company Code #63444

Presented to:



State of Utah
Insurance Department
Salt Lake City, Utah



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May 31, 2017

Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

RE: Accendo Insurance Company

Dear Honorable Commissioner:

Pursuant to instructions and in compliance with the provisions of Utah Code Annotated (U.C.A.) §31A-2-204(6)(a), and the rules, regulations and provisions promulgated by the National Association of Insurance Commissioners, an examination of the financial condition and business affairs has been conducted of:

Accendo Insurance Company
Salt Lake City, Utah

hereinafter referred to as the "Company."

The following report of examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We have performed our full-scope multi-state examination of the Company. The last financial examination of the Company, by representatives of the Utah Insurance Department ("UID"), was for the period January 1, 2008 through December 31, 2012. This examination covers the period January 1, 2013 through December 31, 2015, and any material transactions and/or events occurring subsequent and noted during the examination. The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook"). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in Utah Code Annotated (U.C.A.) §31A-2-204(6)(a), and general information about the insurer and its financial condition.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

There were no significant findings noted in the prior examination.

CURRENT EXAMINATION

There were no significant findings to report in the current examination.

COMPANY HISTORY

The Company was initially incorporated on December 8, 1955 as Monumental General Insurance Company, under the laws of the state of Maryland. On October 13, 1992, Toyota Motor Credit Corporation purchased 100 percent of the Company's outstanding stock, and subsequently renamed it Toyota Motor Life Insurance Company, and redomiciled to the state of Iowa. On September 29, 1999, Hartford Life and Accident Insurance Company, a Connecticut company, purchased 100 percent of the Company, and on January 24, 2002, the Company was renamed Nutmeg Life Insurance Company (Nutmeg).

During 2007, RxAmerica LLC, a wholly-owned subsidiary of Longs Drug Stores California, Inc., formed Accendo Holding Company (AHC), a Delaware company, for the purpose of acquiring Nutmeg from Hartford. The Company applied for redomestication to the state of Utah, and received its Utah certificate of authority effective October 3, 2007, in the name of Accendo Insurance Company, as a wholly owned Utah subsidiary of AHC. The ultimate parent was Longs Drug Stores Corporation, a Maryland publicly traded company. The Company was a dormant company from 2002 through 2008.

In October 2008, Longs Drugs Stores Corporation was acquired by CVS Caremark Corporation, a Delaware Corporation, as a provider of the Medicare Part D business. Beginning January 1, 2009, The Company took over the Medicare Part D business from RxAmerica, upon novation of RxAmerica's waiver from the CMS to write Medicare Part D. The Company currently is licensed in all fifty states and the District of Columbia.

So currently, the Company is a wholly owned subsidiary of Part D Holding Company, LLC (Delaware), which is a direct subsidiary of Caremark Rx, LLC (Delaware), which is directly owned by CVS Pharmacy Inc. (Rhode Island), a wholly owned subsidiary of CVS Health Corporation (Delaware), with corporate offices primarily in Rhode Island and Arizona.

Effective January 1, 2012, upon CMS requirements that the holding company may have only one provider of Medicare Part D, the Company ceased providing Medicare Part D for CVS Caremark, and is currently in run-off status. The Company filed a plan of orderly withdrawal with the Department in early November 2011 and the Department approved the Plan of Orderly Withdrawal on December 21, 2011. As of January 1, 2012, the Company ceased writing any new

business and is running off the existing business. Current plans are to maintain its licensures; however no definite plans have been made for the Company's future lines of business.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

At December 31, 2015, and during the examination period, the following individuals served as Directors of the Company:

Name	Location	Title and Principal Occupation
Harold N. Lund	Longwood, FL	Director
Todd D. Meek	Phoenix, AZ	Director and President
Jane F. Barlow	Scottsdale, AZ	Director
Mary K. Meyer	Twinsburg, OH	Director
David S. Azzolina	Richfield, OH	Director

The officers of the Company as of December 31, 2015, were as follows:

Name	Title
Todd D. Meek	President
Albert F. Moffett	Vice President
Anthony G. Strong	Treasurer
Michele W. Buchanan	Secretary
Rebecca C. Justice	Actuary

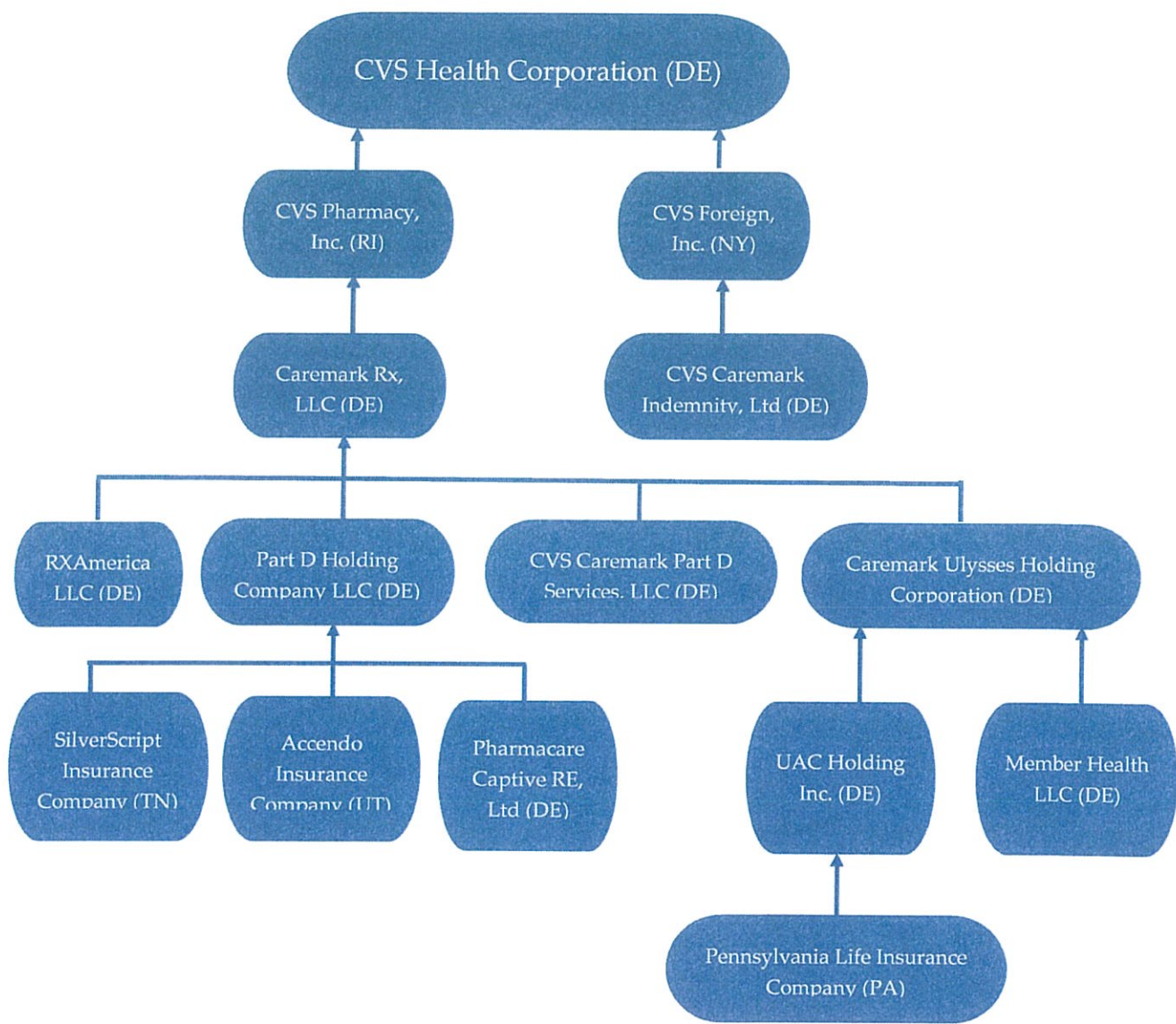
The Company only has an audit committee that is organized at the ultimate controlling entity. Respective committee members of the Company as of December 31, 2015, were as follows:

Committee	Name
Audit	Richard Swift, Chair
	Nancy-Ann DeParle
	Jean-Pierre Millon
	Alecia DeCoudreaux

CORPORATE ORGANIZATION

The Company is part of a holding company system. At December 31, 2015 one hundred percent (100%) of the outstanding shares of the Company were owned by Part D Holdings, LLC, a Delaware corporation. Part D Holdings, LLC in turn is wholly owned by Caremark Rx, LLC, a Delaware corporation. Caremark Rx, LLC is wholly owned by CVS Pharmacy, Inc., a Rhode Island corporation. CVS Pharmacy, Inc. is wholly owned by the ultimate parent, CVS Health Corporation, a Delaware corporation.

ORGANIZATIONAL CHART



RELATED PARTY AGREEMENTS

The Company has an Income Tax Sharing Agreement as listed in the annual filing. This agreement was executed on December 30, 2008 and approved by the Department on February 9, 2009. There has been no change since the last examination report.

TERRITORY AND PLAN OF OPERATION

Effective January 1, 2012, upon CMS requirements that the holding company may have only one provider of Medicare Part D, The Company ceased providing Medicare Part D for CVS Caremark and is currently in run-off status. Current plans are to maintain licensures.

REINSURANCE

The Company did not assume or cede any reinsurance during the examination period.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the UID and present the financial condition of the Company for the period ending December 31, 2015. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.

Please note that failure of any of the following items to add to the totals shown is due to rounding.

Accendo Insurance Company
Balance Sheet (Assets)
December 31, 2015

	Net Admitted Assets
Bonds	3,105,402
Cash	950,683
Short Term Investments	10,207,948
Subtotals, cash and invested assets	14,264,033
Investment income due and accrued	27,977
Total Admitted Assets	14,292,010

Accendo Insurance Company
Liabilities, Surplus, and Other Funds
December 31, 2015

	2015
Liabilities	
Aggregate health policy reserves	1,286,547
General expenses due or accrued	101,645
Current federal and foreign income tax payable	483,558
Liability for amounts held under uninsured plans	2,699,847
Total liabilities	4,571,597
Capital and Surplus	
Common capital stock	2,500,000
Gross paid in and contributed surplus	6,308,114
Unassigned funds	912,299
Surplus as regards policyholders	9,720,413
Total Liabilities, Surplus, and Other Funds	14,292,010

Accendo Insurance Company
Statement of Income
December 31, 2015

	2015
Revenues	
Change in unearned premium reserves and reserve for rate credits	625,549
Total Revenues	625,549
Hospital and Medical	
Prescription Drugs	(985,436)
Total Hospital and Medical	(985,436)
General administrative expenses	286,036
Total Underwriting Deductions	(699,400)
Net underwriting gain or (loss)	1,324,949
Net investment income earned	35,306
Net gain or (loss) from agents' or premium balances charged off	25,750
Net income or (loss) after capital gains tax and before all other federal income taxes	1,386,005
Federal and foreign income taxes incurred	472,160
Net income (loss)	913,845

Accendo Insurance Company
Capital and Surplus Account
December 31, 2015

Capital and Surplus Account	2015	2014	2013
Capital and surplus prior reporting year	\$8,808,114	\$11,981,846	\$82,547,736
Net income or (loss)	913,845	2,574,158	8,396,618
Change in net deferred income tax	(1,546)	(2,318,720)	2,000,705
Change in nonadmitted assets		6,570,830	(5,963,213)
Transferred to surplus		(36,691,886)	(33,518,155)
Transferred from capital		36,691,886	33,518,155
Dividends to stockholders		(10,000,000)	(75,000,000)
Net change for capital and surplus	912,299	(3,173,732)	(70,565,890)
Capital and Surplus end of reporting year	\$9,720,413	\$8,808,114	\$11,981,846

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no significant findings or recommendations

SUBSEQUENT EVENTS

There were no subsequent events that would require disclosure.

CONCLUSION

The examination procedures, described, herein, revealed no material findings or recommendations.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

D. Shane Sadler, MPA, CFE, SPIR, participated as the Examiner-In-Charge of the examination. Donald Catmull, CFE, Assistant Chief Examiner, of the UID supervised the examination. All join in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully submitted,



D. Shane Sadler, MPA, CFE, SPIR
Examiner-In-Charge
State of Utah Insurance Department